

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: <u>State of Michigan 35th Judicial District Court</u>	County <u>Wayne</u>
Audit Date December 31, 2005	Opinion Date April 18, 2006	Date Accountant Report Submitted To State: June 30, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC			
Street Address 1000 Oakbrook Drive, Suite 400	City Ann Arbor	State MI	ZIP 48104-6815
Accountant Signature 			

**State of Michigan
35th Judicial District Court**

**Financial Report
with Supplemental Information
December 31, 2005**

State of Michigan 35th Judicial District Court

Contents

Report Letter	1-2
Basic Financial Statements	
Governmental Fund Balance Sheet/Statement of Net Assets	3
Statement of Governmental Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities	4
Fiduciary Funds - Statement of Net Assets	5
Notes to Financial Statements	6-13
Required Supplemental Information	14
Budgetary Comparison Schedule - General Fund	15
Other Supplemental Information	16
Schedule of General Fund Operating Revenue Received and Allocation of Expenditures to Local Units	17



Plante & Moran, PLLC
Suite 400
1000 Oakbrook Drive
Ann Arbor, MI 48104
Tel: 734.665.9494
Fax: 734.665.0664
planteandmoran.com

Independent Auditor's Report

To the Judges
State of Michigan 35th Judicial District Court

We have audited the accompanying financial statements of the governmental activities, the General Fund, and the fiduciary fund information of State of Michigan 35th Judicial District Court, which collectively comprise the Court's basic financial statements, as of and for the year ended December 31, 2005. These financial statements are the responsibility of the State of Michigan 35th Judicial District Court's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the General Fund, and the fiduciary fund information of State of Michigan 35th Judicial District Court and the respective changes in financial position thereof for the year ended December 31, 2005, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedule, as identified in the table of contents, is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Court's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A member of



A worldwide association of independent accounting firms

To the Judges
State of Michigan 35th Judicial District Court

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

Plante & Moren, PLLC

April 18, 2006

State of Michigan 35th Judicial District Court

Governmental Fund Balance Sheet/Statement of Net Assets December 31, 2005

	General Fund - Modified and Full Accrual Basis
Assets	
Cash and cash equivalents (Note 2)	\$ 931,966
Due from 35th Judicial District Building Authority	<u>2,535</u>
Total assets	<u><u>\$ 934,501</u></u>
Liabilities	
Accrued and other liabilities	\$ 109,197
Due to 35th District Courthouse Authority	156,254
Excess operating revenue (expense) on behalf of:	
City of Plymouth	59,950
Plymouth Township	84,808
City of Northville	48,334
Northville Township	140,748
Canton Township	(57,326)
Restitution payable	10,214
Compensated absences due within one year	150,835
Compensated absences due in more than one year	<u>231,487</u>
Total liabilities	<u><u>\$ 934,501</u></u>

State of Michigan 35th Judicial District Court

Statement of Governmental Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended December 31, 2005

	General Fund - Modified and Full Accrual Basis
Revenue	
Fines and fees collected from within:	
City of Plymouth	\$ 245,351
Plymouth Township	470,198
City of Northville	216,155
Northville Township	630,587
Canton Township	<u>1,725,678</u>
Total fines and fees revenue	3,287,969
Probation, interest, and other revenue	<u>1,158,822</u>
Total revenue	4,446,791
Expenditures	
Court expenditures:	
Shared expenditures:	
Salaries and wages	1,885,979
Employee benefits	986,241
Contractual services	147,982
Occupancy expenses	760,672
Insurance	32,270
Printing, postage, and office supplies	77,778
Equipment services, leases, and maintenance	62,343
Travel, education, and training	26,182
Other expenditures	<u>42,951</u>
Total shared expenditures	4,022,398
Jail fees	89,532
Jury and witness fees	<u>10,347</u>
Total jail, jury, and witness fees	99,879
Distributions to local units (Note 5):	
Advance payments made during the year, net of amount due from the District Control Unit	48,000
Payments made subsequent to year end	<u>276,514</u>
Total distributions to local units	<u>324,514</u>
Total expenditures	<u>4,446,791</u>
Excess of Revenue Over Expenditures	-
Fund Balance/Net Assets - Beginning of year	<u>-</u>
Fund Balance/Net Assets - End of year	<u><u>\$ -</u></u>

The Notes to Financial Statements are an
Integral Part of this Statement.

State of Michigan 35th Judicial District Court

Fiduciary Funds Statement of Net Assets December 31, 2005

	Agency Funds	
	Depository	Bond
Assets		
Cash and cash equivalents (Note 2)	\$ 116,579	\$ 118,981
Due from bond fund	<u>3,263</u>	<u>-</u>
Total assets	<u>\$ 119,842</u>	<u>\$ 118,981</u>
Liabilities		
Civil trust bond payable	\$ 10,375	\$ -
Due to depository fund	-	3,263
Appearance bonds payable	-	115,718
Due to State of Michigan	103,693	-
Due to Wayne County Treasurer	<u>5,774</u>	<u>-</u>
Total liabilities	<u>\$ 119,842</u>	<u>\$ 118,981</u>

State of Michigan 35th Judicial District Court

Notes to Financial Statements December 31, 2005

Note I - Summary of Significant Accounting Policies

The State of Michigan 35th Judicial District Court (the "Court") serves the cities of Northville and Plymouth and the charter townships of Canton, Plymouth, and Northville, which are members of the Court. The Court oversees and processes items relating to traffic violations, criminal and civil infractions, and small claims filings. It also provides probation oversight and related services.

The accounting policies of State of Michigan 35th Judicial District Court conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Court:

Reporting Entity

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Court's basic financial statements include both the Court's full accrual financial statements and modified accrual financial statements. Because of the nature of the Court's operations, there are no differences between the methods. Nonetheless, the methods are described below for general information.

Full Accrual Financial Statements

The full accrual financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting, which is described below.

Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. There are no adjustments necessary to convert 35th Judicial District Court to the full accrual basis of accounting.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in the full accrual financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Court has elected not to follow public sector standards issued after November 30, 1989 for its full accrual activities.

State of Michigan 35th Judicial District Court

Notes to the Financial Statements December 31, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

Modified Accrual Financial Statements

The Court's modified accrual financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which is described below.

Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay finance expenditures of the fiscal period. For this purpose, the Court considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the fiscal period. All other revenue items are considered to be available only when cash is received by the Court.

The accounts of the Court are organized on the basis of funds, each of which is considered a separate accounting entity. The various funds are grouped, in the combined financial statements in this report, into generic fund types in two broad categories as follows:

Governmental Fund

General Fund - The General Fund contains the records of the ordinary activities of the Court that are not accounted for in another fund. The General Fund includes the general operating expenditures of the Court, which consist mainly of salaries and fringe benefits for Court employees. Revenue is derived primarily from the Court's share of fines and costs associated with the traffic and criminal divisions, filing fees assessed for civil and small claim filings, and probationary fees. In addition, the General Fund includes the restitution payable account, which receives and holds monies that are subsequently applied as reimbursements to plaintiffs for damaged property.

State of Michigan 35th Judicial District Court

Notes to the Financial Statements December 31, 2005

Note I - Summary of Significant Accounting Policies (Continued)

Fiduciary Funds

Agency Funds - Agency Funds are used to account for assets held by the Court as an agent for individuals, organizations, other governments, or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The Court uses the following Agency Funds:

- **Depository Fund** - This fund receives the Court's and the State of Michigan's share of fines and costs associated with the traffic and criminal divisions and filing fees assessed for civil and small claim filings. The Court's share is transferred out to the General Fund, and the State of Michigan's share is disbursed to the State. In addition, the fund includes the civil trust payable account, which receives and holds monies that are in dispute under a civil filing until the matter is settled. The funds are then remitted to the plaintiff or back to the defendant, as appropriate.
- **Appearance Bond Fund** - This fund receives and holds bond monies from defendants as a promise to appear on an appointed court date. After the court date, the monies are applied to fines and costs, bond costs, forfeitures, and refunds, as appropriate.

Financial Statement Amounts

Cash and Cash Equivalents - The Court has defined cash and cash equivalents to include cash on hand and all highly liquid investments purchased with an original maturity of three months or less when acquired.

Compensated Absences (Vacation and Sick Leave) - It is the Court's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All sick and vacation pay is accrued when incurred in both the modified and full accrual financial statements, in order to charge the communities as it is incurred.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

State of Michigan 35th Judicial District Court

Notes to the Financial Statements December 31, 2005

Note 2 - Cash and Cash Equivalents

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Court has designated one bank for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above. The Court's deposits and investment policies are in accordance with statutory authority.

The Court's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Court's deposits may not be returned to it. The Court does not have a deposit policy for custodial credit risk. At year end, the Court had \$90,278 of bank deposits (checking and savings accounts) that were uninsured and uncollateralized. The Court believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Court evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Court has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Sweep accounts	\$ 1,089,000	Unrated	NA

State of Michigan 35th Judicial District Court

Notes to the Financial Statements December 31, 2005

Note 3 - Budget Information

The annual budget is prepared by the Judges of the Court and the Court administrator and adopted by the board of directors of 35th District Courthouse Authority (the "DCA"); subsequent amendments are approved by the DCA board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at December 31, 2005 has not been calculated. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget statement (budgetary comparison schedule - General Fund) is presented on the same basis of accounting used in preparing the adopted budget.

The budget has been adopted on a fund basis. A comparison of actual results of operations to the General Fund budget as adopted by the DCA board is included in the required supplemental information. This comparison includes expenditure budget overruns.

Note 4 - Lease Agreement

The cities of Plymouth and Northville and the charter townships of Plymouth, Northville, and Canton (District Control Units), which are members of the 35th Judicial District Court, are also members of the DCA. The DCA was established in 1989 upon approval of an interlocal agreement by and among the District Control Units pursuant to the provisions of the Urban Cooperation Act, Act No. 7 of the Michigan Public Acts of 1967, as amended. The purpose of the DCA is, among other items, to establish a joint entity to lease, acquire, own, operate, and dispose of the Courthouse for the mutual use and benefit of the District Control Units.

The Court leased the Courthouse from 35th District Courthouse Authority until a fire occurred on July 2, 1997. Although the Courthouse was completely destroyed, this lease will continue to be paid through the expiration of the lease in 2006. The Court will lease the new Courthouse from 35th Judicial Building Authority for the amount of the bond payments through 2018. Additionally, the Court will lease computer equipment through 2007.

State of Michigan 35th Judicial District Court

Notes to the Financial Statements December 31, 2005

Note 4 - Lease Agreement (Continued)

The following is a schedule of future minimum lease payments under the Court's operating leases:

2006	\$ 510,960
2007	356,120
2008	345,175
2009	336,475
2010	327,575
2011-2015	1,940,174
2016-2019	<u>1,133,562</u>
Total	<u>\$ 4,950,041</u>

Total rent expense for the year ended December 31, 2005 amounted to \$468,046.

Note 5 - Allocation to Local Units

The 35th Judicial District Court judges and board of directors of the District Courthouse Authority have instructed that the expenses of the Court be divided among the five District Control Units in proportion to the volume of cases, including civil, attributable to each District Control Unit. The caseload figures are derived from the venue report obtained from the judicial information system program. Jail fees and jury and witness fees are to be allocated to each District Control Unit on a specific identification basis. Fines and fees collected from within the local units are distributable to the local units net of their allocation of the Court's expenditures.

Note 6 - Postemployment Benefits

The Court provides health care and optical benefits to all full-time employees upon retirement, in accordance with labor contracts. Currently, 10 retirees are eligible. The Court includes pre-Medicare retirees and their spouses, if eligible, in its insured health care plan, with no contribution required by the participant. The Court purchases Medicare supplemental insurance for retirees eligible for Medicare. Expenditures for postemployment health care benefits are recognized as the insurance premiums become due; during the year, this amounted to approximately \$80,000.

State of Michigan 35th Judicial District Court

Notes to the Financial Statements December 31, 2005

Note 6 - Postemployment Benefits (Continued)

Upcoming Reporting Change - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending December 31, 2009.

Note 7 - Risk Management

The Court is exposed to various risks of loss pertaining to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Court has purchased commercial insurance for these claims. Settled claims related to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 - Defined Contribution Retirement Plan

The Court provides pension benefits for certain salaried and clerical employees, other than its security officers who are retired police officers, through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. New employees are ineligible to join the plan and must join the defined benefit plan.

The defined contribution retirement plan and an agreement between the 35th Judicial District Court and the Michigan Association of Public Employees require the Court to make monthly mandatory contributions totaling 13.5 percent of employees' paid wages as reflected on January 1 of each year. Employees may make voluntary contributions up to a maximum of 10 percent of their annual compensation during each of these years.

In accordance with these requirements, the Court contributed approximately \$94,000 during the year. No employees elected to make contributions during the year. Full vesting takes place after three years of employment for all employer contributions and related account earnings.

State of Michigan 35th Judicial District Court

Notes to the Financial Statements December 31, 2005

Note 9 - Defined Benefit Pension Plan

Plan Description - During the year ended December 31, 2003, the Court began participating in the Municipal Employees' Retirement System of Michigan ("MERS"), an agent multiple-employer defined benefit pension plan that covers all new employees of the Court as well as those converting from the defined contribution plan. MERS provides retirement, disability, and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, MI 48917.

Funding Policy - The obligation to contribute and maintain MERS for these employees was established by negotiation with the Court's competitive bargaining units. This agreement requires a contribution from the employees of any actuarially required contributions in excess of 13.5 percent.

Annual Pension Cost - For the year ended December 31, 2005, the Court's annual pension cost of \$98,395 for the plan was equal to the Court's required actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2003 using the entry age normal cost method. Significant actuarial assumptions used include (a) an 8.0 investment rate of return, (b) projected salary increases of 4.5 percent per year plus a percentage attributable to seniority/merit, and (c) postretirement benefit increases of 2.5 percent annually. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a normal basis. The remaining amortization period is 30 years.

	December 31		
	2005	2004	2003
Annual pension cost	\$ 98,395	\$ 86,125	\$ 14,181
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-
	Actuarial Valuation as of December 31		
	2004	2003	
Actuarial value of assets	\$ 1,959,691	\$ 1,634,708	
Actuarial accrued liability (entry age)	2,454,250	2,109,254	
Unfunded AAL (UAAL)	494,559	474,546	
Funded ratio	80%	78%	
Covered payroll	\$ 612,297	\$ 687,020	
UAAL as a percentage of covered payroll	81%	69%	

Required Supplemental Information

State of Michigan 35th Judicial District Court

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2005

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variances with Amended Budget
Revenue				
Fines and fees	\$ 3,540,000	\$ 3,540,000	\$ 3,287,969	\$ (252,031)
Probation, interest, and other revenue	<u>1,007,172</u>	<u>1,007,172</u>	<u>1,158,822</u>	<u>151,650</u>
Total revenue	4,547,172	4,547,172	4,446,791	(100,381)
General Expenditures				
Salaries and wages:				
Judicial and staff	546,839	546,839	509,303	37,536
Administrative	509,302	513,133	440,654	72,479
Clerical	691,257	692,530	671,198	21,332
Probation	<u>239,081</u>	<u>236,233</u>	<u>264,824</u>	<u>(28,591)</u>
Total salaries and wages	1,986,479	1,988,735	1,885,979	102,756
Other general expenditures:				
Employee benefits	973,325	972,925	986,241	(13,316)
Contractual services	115,434	147,384	147,982	(598)
Insurance	32,400	30,000	32,270	(2,270)
Computer services	33,500	33,500	23,726	9,774
Printed forms	20,000	17,000	17,792	(792)
Postage	25,000	25,000	24,841	159
General office supplies	33,000	29,820	35,145	(5,325)
Equipment leases	19,000	22,000	22,138	(138)
Equipment maintenance	20,380	18,000	16,479	1,521
Travel	2,700	6,300	6,333	(33)
Education and training	31,700	23,175	19,849	3,326
Jail, jury, and witness fees	150,000	94,800	99,879	(5,079)
Other supplies and expenses	<u>40,900</u>	<u>39,999</u>	<u>42,951</u>	<u>(2,952)</u>
Total other general expenditures	1,497,339	1,459,903	1,475,626	(15,723)
Occupancy				
Building rent	449,094	449,094	450,390	(1,296)
Utilities	96,000	115,500	116,438	(938)
Insurance	37,600	45,000	42,467	2,533
Building maintenance	88,500	94,500	94,324	176
Capital outlay	<u>60,000</u>	<u>62,280</u>	<u>57,053</u>	<u>5,227</u>
Total occupancy	731,194	766,374	760,672	5,702
Distributions to Local Units	<u>332,160</u>	<u>332,160</u>	<u>324,514</u>	<u>7,646</u>
Total expenditures	4,547,172	4,547,172	4,446,791	100,381
Excess of Revenue Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The Court's budget was adopted on a fund basis. The budget comparison shown above for the General Fund is more detailed than the General Appropriations Act. Information on this schedule is presented for the purpose of additional analysis.

Other Supplemental Information

State of Michigan 35th Judicial District Court

Schedule of General Fund Operating Revenue Received and Allocation of Expenditures to Local Units Year Ended December 31, 2005

	Fines and Fees Revenue	Allocated Shared Expenditures - Net of Probation, Interest, and Other Revenue	Jail, Jury, and Witness Fees Expenditures*	Distributions to Local Units	Net Amount Held on Behalf of Local Units
Gross revenue/expenditures	\$ 4,446,791	\$ 4,022,398	\$ 99,879	\$ 324,514	\$ -
Less probation, interest, and other revenue	<u>1,158,822</u>	<u>1,158,822</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,287,969</u>	<u>\$ 2,863,576</u>	<u>\$ 99,879</u>	<u>\$ 324,514</u>	<u>\$ -</u>
Allocation by local units:					
City of Plymouth	\$ 245,351	\$ 171,838	\$ 8,563	\$ 5,000	\$ 59,950
Plymouth Township	470,198	359,986	10,404	15,000	84,808
City of Northville	216,155	156,402	3,419	8,000	48,334
Northville Township	630,587	449,400	20,439	20,000	140,748
Canton Township	<u>1,725,678</u>	<u>1,725,950</u>	<u>57,054</u>	<u>-</u>	<u>(57,326)</u>
Total	<u>\$ 3,287,969</u>	<u>\$ 2,863,576</u>	<u>\$ 99,879</u>	<u>\$ 48,000</u>	<u>\$ 276,514</u>

Net operating expenditures of the Court are allocated to the local units of government supporting the Court on the basis of case-load distribution set forth as follows:

Local Units	Number of Cases Attributable	Percent of Total	Net Operating Expenditures Allocations
City of Plymouth	2,360	6.00%	\$ 171,838
Plymouth Township	4,944	12.57%	359,986
City of Northville	2,148	5.46%	156,402
Northville Township	6,172	15.70%	449,400
Canton Township	<u>23,704</u>	<u>60.27%</u>	<u>1,725,950</u>
Total	<u>39,328</u>	<u>100.00%</u>	<u>\$ 2,863,576</u>

* Jail, jury, and witness fees were allocated on a specific identification basis.

April 18, 2006

Honorable John E. MacDonald
Honorable Ronald W. Lowe
Honorable Michael J. Gerou
35th Judicial District Court
660 Plymouth Road
Plymouth, MI 48170

Dear Judges:

We have recently completed our audit of the financial statements of the 35th Judicial District Court for the year ended December 31, 2005. In connection with our audit, we offer the following comments and recommendations to assist you in your financial management of the Court.

REPORTABLE CONDITION

In planning and performing our audit of the financial statements of 35th Judicial District Court and the 35th District Courthouse Authority for the year ended December 31, 2005, we considered the internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the municipality's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The matters noted are only those that came to our attention and had our procedures in internal control related matters been more extensive, other matters may have been noted.

- As discussed in the previous year, a number of employees have access to signature stamps with the Judge's signatures in their possession. With the access to the signature stamps, it is possible to write a check and use the signature stamps instead of obtaining proper signatures from the individuals. We recommend the Court implement a policy on the use of its signature stamps. We understand that subsequent to December 31, 2005, the signature stamps will be locked up within the clerk's desk, who utilize the stamps on a regular basis.

- Currently, the controller submits the payroll, issues the checks prepared by the payroll processor, and records the activity in the general ledger. During the current fiscal year, there was no oversight by another individual regarding payroll. We recommend that the Court Administrator, or another assigned individual, review the payroll registers to improve controls in this area.

BANK RECONCILIATIONS

Currently, the controller prepares the monthly bank reconciliations, with no oversight or review by the Court Administrator. Although there are other controls in place, including the review of a listing of all checks before they are written and dual signature required on all checks, we recommend the Court Administrator review all bank reconciliations and acknowledge her review by initialing and dating them once reviewed.

In addition to the above comments, we noted that there are a number of old outstanding checks on the bank reconciliations. We recommend that the Court follow up on these checks in an effort to "clean up" the bank reconciliations.

OTHER ACCOUNTING ISSUES

It was noted during our audit that the Court does not currently have a credit card nor an ACH policy approved by the board. We recommend that the Court bring forth a policy for approval by the board.

The following items are miscellaneous accounting issues which have been discussed in previous years:

- During the construction of the Courthouse, a capital projects fund was created to account for the development of the building. Now that the construction is complete, we recommend that this fund be closed and cash remaining within the fund be transferred in a manner that the board deems appropriate.
- A number of checks written in January 2006 relating to December 2005 activity were actually dated in December 2005. These expenditures were recorded in the appropriate fiscal year. The Court should ensure all checks are dated the day they are signed and not post dated.
- There is an unreconciled difference between the detailed bond payable listing and the amount recorded on the general ledger. The Court should be reconciling to the bond payable listing on a monthly basis and adjusting the general ledger when necessary.

We would like to thank you and your staff, particularly Debra Kubitskey and Pam Avdoulos, for the courtesy and cooperation extended to us during the course of our audit. If you have any further questions regarding the above comments or would like assistance in their implementation, please feel free to contact us.

April 18, 2006

This report is intended solely for the information and use of the judges, board of directors, management, others within the organization and the State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

PLANTE & MORAN, LLP

A handwritten signature in black ink, appearing to read "David H. Helisek".

David H. Helisek

A handwritten signature in black ink, appearing to read "Wendy N. Trumbull".

Wendy N. Trumbull